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NEWS RELEASE

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NATURAL GAS PRICES TO BE LOWER THIS WINTER *Wholesale costs one-third lower than a year ago*

FRANKFORT, Ky. (Oct. 27, 2006) – Kentuckians will be paying significantly less for natural gas at the start of the 2006-2007 heating season than they paid a year ago, the Kentucky Public Service Commission (PSC) says.

“Natural gas production from the Gulf Coast, which supplies most of Kentucky’s gas, is back to normal following last year’s hurricanes, and the market has stabilized,” PSC Chairman Mark David Goss said. “As a result, wholesale gas prices are lower than they were at this time last year.

“This is the first time in four years we have seen lower prices at the start of the heating season,” Goss said. “Gas costs are back to about where they were two years ago.”

How much consumers pay to heat their homes this winter will depend, as always, on the weather, Goss noted. Last winter was unusually mild, which helped offset the record high gas prices, he said.

“Lower gas costs this year are no reason to back away from measures to conserve energy,” Goss said. “Reducing consumption is the best defense against high energy bills.”

Natural gas prices began rising steadily in 2003. The sharpest increase – about 40 percent - occurred a year ago, after hurricanes Katrina and Rita damaged production and processing facilities on the Gulf Coast. Production was not restored to normal levels until this summer.

The return to adequate production, combined with ample amounts of gas in storage for the winter heating season, pushed wholesale gas prices steadily downward over much of this year. They have risen somewhat this fall, as they typically do prior to the heating season.

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By federal law, natural gas prices are not regulated at the wholesale level and fluctuate with supply and demand. Under Kentucky statute, gas companies are entitled to recover the wholesale cost of the gas delivered to customers. Companies are not allowed to earn a profit on their gas costs. The companies' gas cost adjustments are reviewed by the PSC to make sure they accurately reflect the wholesale cost of gas.

Kentucky's five major natural gas distribution companies expect their wholesale cost in November to be, on average, \$8.65 per 1,000 cubic feet (mcf). That is down \$4.30 (33 percent) from an average of \$12.95 per mcf a year ago.

In November 2002, before the current upward trend in prices began, the average wholesale cost was \$4.90 per mcf.

The wholesale cost of natural gas accounts for about three-fourths of a typical consumer's winter bill. For an average Kentucky customer using 10 mcf per month, the wholesale cost decline means that the total monthly bill next month will be \$116.35, down from \$158.12 a year ago, a decrease of 26 percent.

Although natural gas prices are lower than last year, there are still many Kentuckians who have difficulty paying their heating bills, Goss said. Information on heating assistance programs is available from utility companies or from local community action agencies, he said.

"Look for help now if you think you may need it later," Goss said. "Do not delay until the situation becomes a crisis."

About 44 percent of Kentuckians heat their homes with natural gas. Those who heat with propane (10 percent) and fuel oil (3 percent) also are seeing lower prices than a year ago.

About half of the natural gas used for winter heating is put into storage in the summer. In the past, this gas was less expensive and helped offset higher gas prices in the winter. Due to demand for gas for electric generation, especially in the summer, that is no longer the case.

Demand for natural gas in North America continues to increase, and new production has been unable to keep pace. The ability to import gas from overseas is limited.

The five major natural gas distribution companies in Kentucky are Atmos Energy, Columbia Gas of Kentucky Inc., Delta Natural Gas Co. Inc., Louisville Gas and Electric Co. and Duke Energy Kentucky Inc. (The Union Light, Heat, and Power Co.) Together, the five companies serve over 750,000 customers in Kentucky and deliver 176 billion cubic feet of gas annually.

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A briefing held today on natural gas prices will be available for viewing at a later time in the PSC's video library, at http://psc.ky.gov/agencies/psc/webcast/AV_Index.htm. A video of the briefing also will be available for download on the PSC's FTP site, <ftp://162.114.3.167/>.

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky and has approximately 110 employees.

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CONSUMER INFORMATION SHEET FOLLOWS

COPING WITH HIGH NATURAL GAS PRICES

Information for consumers

Kentucky consumers can take a number of steps to reduce their natural gas usage or to soften the impact of gas costs. They include:

Budget billing: This option allows customers to pay the same amount each month, based on their average monthly usage during the year. Customers should contact their utility for more information.

Energy conservation measures: Simple steps such as turning down thermostats on furnaces (most people are comfortable at 68 degrees) and water heaters (120 degrees is hot enough for nearly all uses) can be big energy savers.

Energy audits: Many local utilities offer home energy audits at little or no cost to consumers. These audits can identify energy-wasting trouble spots and provide information on how to correct the problems.

Weatherization: Consumers can do a number of things to reduce inflows of cold air and leakage of warm air, particularly around windows and doors. Some basic weatherization steps include:

- Use caulk or weather-stripping to seal cracks around windows, doors, pipes and other points where cold air can enter the home. This alone can reduce heating costs by 10 percent or more.
- Add insulation in attics, crawl spaces and walls.
- Cover windows, especially those with single-pane glass, with storm windows or plastic sheeting before the onset of cold weather.
- Clean or replace furnace filters monthly to improve airflow and efficiency.

Advice on conserving energy, including links to a wide range of information, also is available from the Kentucky Office of Energy Policy, on the Web at:

<http://www.energy.ky.gov/dre3/>

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Weatherization assistance for low-income families is available in Kentucky. Many utilities offer weatherization assistance in conjunction with local social service agencies. Local social service agencies also offer assistance through a state program administered by the Kentucky Cabinet for Health and Family Services. For information on weatherization assistance, call 502-564-7536, Extension 4235, or go to:

<http://chfs.ky.gov/dcbs/dfs/Weatherization.htm>

Low-income consumers may qualify for assistance with their heating bills through the Low-Income Home Energy Assistance Program (LIHEAP). It is administered at the local level by community action agencies. Consumers who do not qualify for LIHEAP may be eligible for assistance through programs sponsored by their utility company or programs operated by local social service organizations. Consumers should contact their utility for more information. Information about LIHEAP is available on the Web at:

<http://chfs.ky.gov/dcbs/dfs/LIHEAP.htm>

For general information about cutting heating costs, utility issues or for assistance with resolving consumer disputes with utilities, contact the PSC by calling 800-772-4636 or go to the PSC Web site at:

<http://psc.ky.gov>